

State of California

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Legislative Change No.

98-20

Bill Number: AB 2809

Author: AR&T Committee

Chapter Number: 98-1039

Laws Affecting Franchise Tax Board:

Revenue and Taxation Code Sections 17053.34, 17053.46, 17053.47, 17053.74, 17276, 17276.1, 17276.2, 17276.4, 17276.5, 17276.6, 23622.7, 23622.8, 23634, 23646, 24416, 24416.1, 24416.2, 24416.4, 24416.5, 24416.6.

Date Filed with the Secretary of the State: September 30, 1998

SUBJECT: Economic Development Areas/Hiring Credit for Employers of Seasonal Employees/NOL Separate Code Sections/LARZ NOL Sunset Date Technical Change

Assembly Bill 2809 (Assembly Committee on Revenue and Taxation), as enacted on September 30, 1998, made the following changes to California law:

Sections 17053.34, 17053.46, 17053.47, 17053.74, 23622.7, 23622.8, 23634, and 23646 of the Revenue and Taxation Code are amended.

This act makes the following changes to the economic development area hiring credits:

1. **Credit Percentage:** Clarifies that the reemployment of seasonal employees shall not constitute commencement of employment. Instead, these employees are considered continuously employed for purposes of the credit computation.

This change is declarative of existing law and applies to all taxable or income years from the effective date of the hiring credits.

2. **Recapture:** Provides that the recapture rules apply to credits taken for wages paid to any seasonal employee who is not rehired in the applicable subsequent seasons. Also, this act defines "seasonal employment" as employment with a taxpayer (or qualified taxpayer, as appropriate) that has regular and predictable substantial reductions in trade or business activities.

The seasonal employment recapture rules apply to taxable or income years beginning on or after January 1, 1998.

Sections 17276, 17276.1, 24416, and 24416.1 of the Revenue and Taxation Code are amended.

This act makes technical reference changes to reflect the newly created economic development area net operating loss (NOL) code sections, discussed below.

The changes to Sections 17276, 17276.1, 24416, and 24416.1 apply to taxable or income years beginning on or after January 1, 1998.

Bureau Director

Date

Johnnie Lou Rosas

10/9/98

Sections 17276.2 and 24416.2 of the Revenue and Taxation Code are amended.

This act deleted from these code sections the NOL provisions for the Los Angeles Revitalization Zone (LARZ), Local Agency Military Base Recovery Areas (LAMBRA), and Targeted Tax Area (TTA), and moved these provisions into separate, newly created code sections as discussed below.

The changes to Sections 17276.2 and 24416.2 apply to taxable or income years beginning on or after January 1, 1998.

Sections 17276.4 and 24416.4 are added to the Revenue and Taxation Code.

This act placed the LARZ NOL provisions into these code sections. In addition, this act corrects a chaptering error by reinstating the December 1, 1998, sunset date of the LARZ net operating loss as enacted by AB 18 (Stats. 1993, Ch. 18).

The addition of Sections 17276.4 and 24416.4 applies to taxable or income years ending after December 31, 1997.

Sections 17276.5 and 24416.5 are added to the Revenue and Taxation Code.

This act placed the LAMBRA NOL provisions into these code sections.

The addition of Sections 17276.5 and 24416.5 applies to taxable or income years beginning on or after January 1, 1998.

Sections 17276.6 and 24416.6 are added to the Revenue and Taxation Code.

This act placed the TTA NOL provisions into these code sections.

The addition of Sections 17276.6 and 24416.6 applies to taxable or income years beginning on or after January 1, 1998.

This act will not require any reports by the department to the Legislature.